

Looking for top-performing fund of FY26? Nippon India Taiwan Equity Fund wins crown with 171%+ return

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FY26 has been remarkable for mutual fund investors, with several schemes delivering impressive returns despite market volatility. Among them, Nippon India Taiwan Equity Fund has emerged as the standout performer, earning the title of mutual fund scheme of FY26 with a staggering return of over 171%.

Market experts say that the strong performance was largely driven by Taiwan's semiconductor and technology cycle.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors, told ETMutualFunds that this scheme is highly concentrated, with Information Technology accounting for about 75% of the portfolio and TSMC alone making up around 30%, alongside other chip and electronics companies such as Hon Hai, MediaTek and Delta. The fund also carries a strong tilt towards growth, momentum, quality and large-cap stocks, which benefited meaningfully during the recent AI and semiconductor-led rally.

In addition, companies globally are increasing IT spending, with a growing share of that expenditure being directed towards Artificial Intelligence, which has supported the growth outlook for this segment. However, this scheme, due to its highly concentrated nature, is suitable for investors with a high-risk tolerance, Dhawan further said.

Manish Kothari, CEO & Co-founder, ZFunds, shared with ETMutualFunds that the Taiwan Stock Exchange rally was led by Taiwan Semiconductor Manufacturing Company (TSMC) after a 20% market crash in April 2025 following Trump's 32% tariff announcement. During this period, SIP investors accumulated cheaper units before a 40% recovery amplified these returns dramatically.

What fund house says

Rajesh Jayaraman, Head Products, Nippon India Mutual Fund, shared with ETMutualFunds that Taiwan equity outperformance can be attributed to the global AI boom driving demand for Taiwanese semiconductors. Taiwan's technology is deeply embedded in the global AI supply chain, and a combination of accelerating cloud service provider investments and specification-driven upgrades created strong demand.

However, the current geopolitical risks, along with elevated valuations, may result in higher volatility in the short term. Also, with the markets being largely skewed towards the technology theme, investors can consider regular investments through the systematic route with a long-term view, Jayaraman further said.

The primary investment objective of Nippon India Taiwan Equity Fund is to provide long-term capital appreciation to investors by primarily investing in equity and equity-related securities of companies listed on the recognised stock exchanges of Taiwan, and the secondary objective is to generate consistent returns by investing in debt and money market securities of India.

As per the last data available, Nippon India Taiwan Equity Fund had an AUM of Rs 519 crore as on February 28, 2026. Launched in December 2021, the scheme is managed by Kinjal Desai.

How investments fared

For a monthly SIP of Rs 10,000 made from April 1, 2025, the current value of the investment would have been Rs 2.17 lakh, with an XIRR of 182.81%.

A lump sum investment of Rs 1 lakh made on April 1, 2025, would have been Rs 2.70 lakh, with a CAGR of 170.78%.

What to do with investments in this fund?

Kothari said the fund has delivered exceptionally strong one-year returns (100%+) versus peers, driven by Taiwan equities and specific sector gains. However, it also carries very high risk and has a relatively higher expense ratio compared to many global funds.

Investors should avoid chasing past performance and use this fund as part of a diversified global allocation, not as a core portfolio holding. If you already own it, consider booking profits gradually or rebalancing if its weight in your total portfolio has become too large, rather than exiting all at once. Continue systematic investing (SIP), he further said.

Dhawan said that the fund has delivered more than 100% in the last year, while the benchmark index has given a 73% return. In the three-year period as well, the fund has beaten the benchmark meaningfully. However, the fund is a single-country, high-volatility, high-concentration strategy, so a very strong phase can be followed by equally sharp swings if the macroeconomic or earnings cycle does not go in its favour.

For existing investors, the more sensible stance is usually to treat it as a satellite allocation, not a core portfolio holding. If the recent rally has made it a much larger part of the portfolio than originally intended, rebalancing makes more sense than adding aggressively. The key is to continue only if the original case was long-term international diversification with high risk tolerance, not short-term momentum chasing, Dhawan further said.

The assets under management (AUM) of the scheme have surged by 88% in FY26 from Rs 276 crore in April 2025 to Rs 519 crore in February 2026 (last available data).

In 2025, the NAV of the regular plan of the scheme increased from Rs 9.6581 on April 1, 2025, to Rs 26.1530 as of March 27, 2026. Meanwhile, the NAV of the direct plan rose from Rs 10.1422 to Rs 27.8439 as of March 27, 2026.

There were nearly 570 equity funds in the said financial year, of which the toppers were international funds. These international funds delivered returns ranging between 22.43% and 86.60% in FY26.

So time to take international exposure?

Dhawan said international exposure still makes sense, but more as a strategic diversification decision than a tactical bet on whichever market has just done best over shorter time frames.

The current global backdrop is mixed. If one had to prioritise economies, they can be viewed in layers. The US still looks like the most natural core international exposure, while emerging markets provide valuation comfort compared to the US. A superior framework may be to keep the core global allocation diversified across developed and emerging markets, with country-specific exposures such as the US, Europe, China, Taiwan and Japan as part of this mix, Dhawan further said.

Kothari said global diversification remains strategically important, as overseas markets offer additional growth drivers and operate on different economic cycles. Keeping international allocation between 10-20% of your equity portfolio typically works well for long-term goals. Prioritise broader, diversified global funds rather than concentrated single-country bets.

To this, Jayaraman said that international funds offer the benefit of diversification and hence some allocation may be considered depending upon the risk appetite. However, each international market is different and hence the strategy selection needs to be done after studying the same.